



# AHCCCS Update



# Impact of Repeal (and Replace)



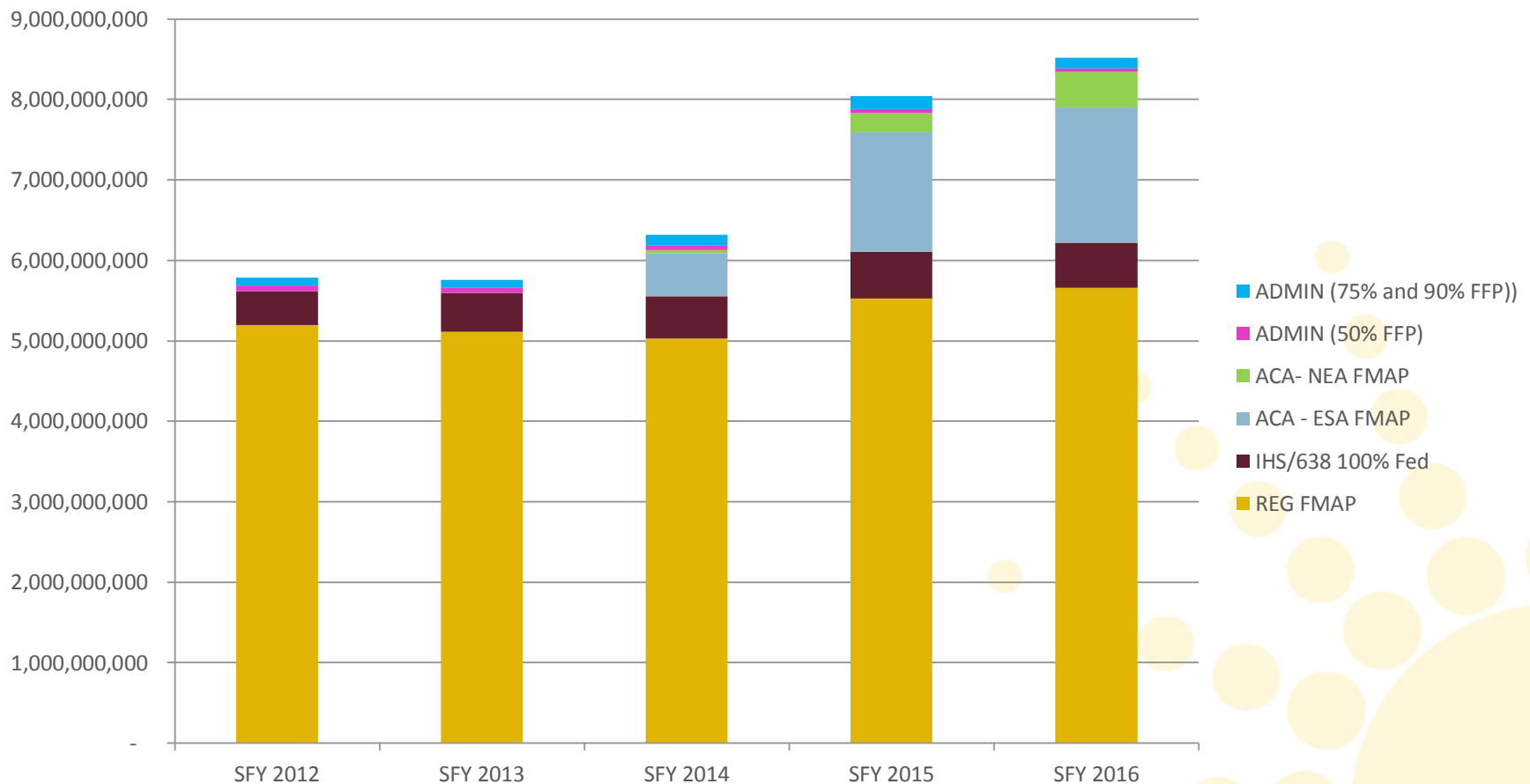
# Potential Impact ACA Changes

	GF Costs	Total \$ Removed from Economy	Members Losing Coverage
1. Eliminate non-categorical adults 0-138%	\$328 Million	\$3.2 Billion	(425,338)
2. Waiver at regular FMAP 0-100%, Eliminate 100-138%	\$1 Billion	\$599 Million	(115,823)
3. Waiver at regular FMAP 0-100%, Freeze enroll. 100-138%	\$1 Billion	\$175 Million	-

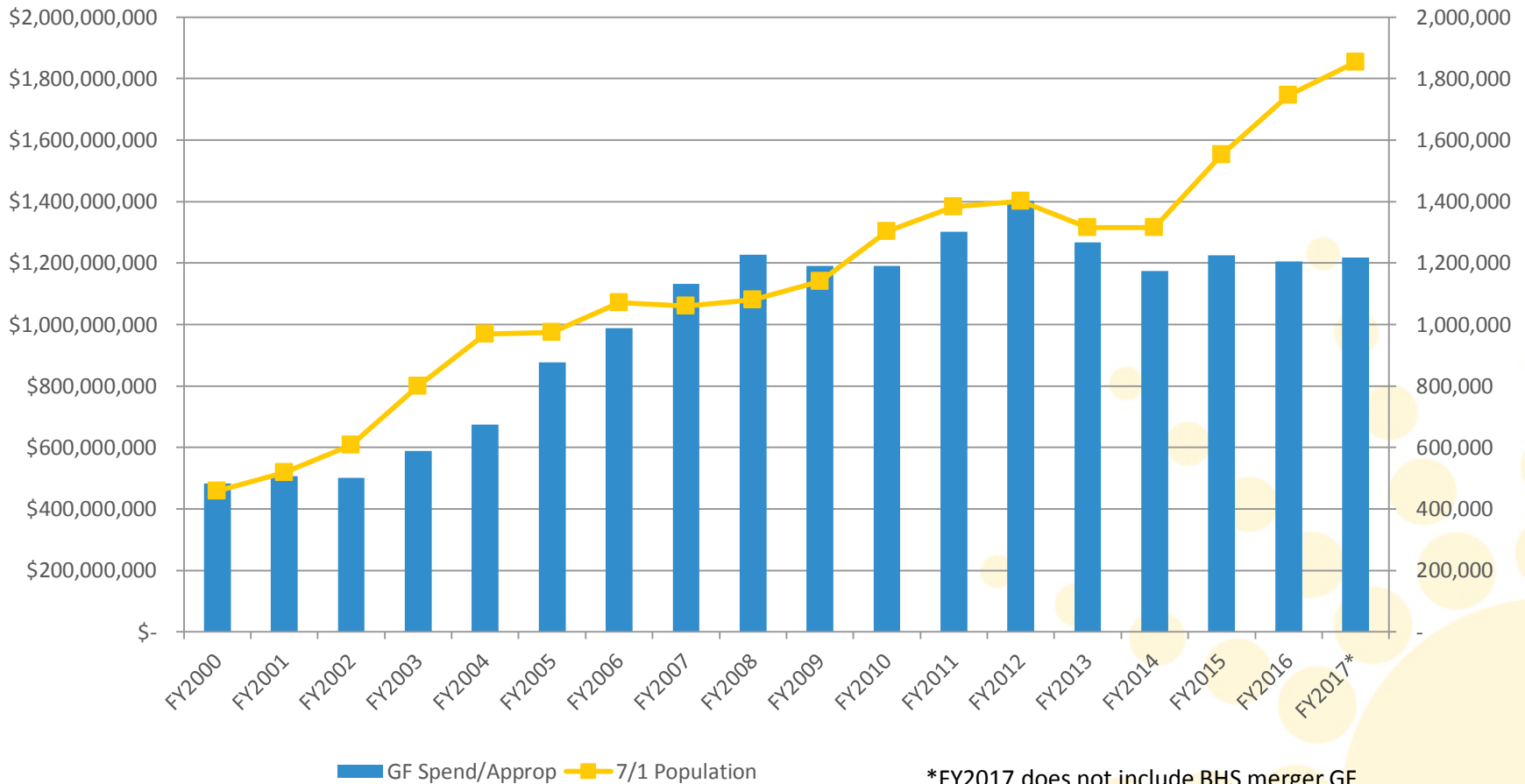
# Funding Sources impacting GF

1. Hospital Assessment tied to provisions of ACA with automatic repeal
2. Prescription drug rebate for MCO pharmacy spend
3. Enhanced CHIP match for children's expansion
4. Lost premium tax

# Title XIX Federal Funding History



# Historical GF Spend vs Population



\*FY2017 does not include BHS merger GF

# AHCCCS AI Enrollment

	AIHP	MCO	Total
0-100%	3,611	1,922	5,533
100-138%	28,289	9,049	37,338
<i>Subtotal – Restoration + Expansion</i>	<i>31,900</i>	<i>10,971</i>	<i>42,871</i>
Other AHCCCS	86,975	48,100	135,075
<b>Total</b>	<b>118,875</b>	<b>59,071</b>	<b>177,946</b>

# Straight Repeal as Previously Enacted through Reconciliation

1. Eliminates Medicaid Expansion
2. Eliminates Expansion for Children
3. Eliminates Standardized Eligibility
4. Eliminates State Plan Authority for HCBS

# Straight Repeal

- Devastating statewide impacts:
  - Arizona health care infrastructure
  - Arizona economy
  - Arizona businesses (including small business) and those with commercial health coverage that will have substantially higher premiums as providers shift costs
  - State General Fund
  - ~600,000 people lose coverage (Medicaid + Exchange)
  - Instability undermines managed care delivery structure
- Would be best for states to preserve several ACA provisions: eligibility system, drug rebates, duals

# Replacement Strategies

- *"I think the first thing to realize is that we are talking about people and people's lives," (Governor) Ducey said.*
- Replace should be part of repeal - **AT SAME TIME**
  - Congress will prefer repeal with delayed replace
  - Replace will slow down action
- Getting replacement at a later date will be challenging
- Long history of Congress being unable to do things on time
  - Budgets
  - SGR

# Replacement Strategies (ctd).

- Inaction will lead to:
  - Uncertainty and higher costs for states
  - Significant uncertainty for businesses who will have to make business decisions assuming no replacement
  - Chaos in insurance market

# Per Capita or Block Grant Financing



# Risk Transfer Challenges

- Transfer of risk to States is particularly challenging for Arizona
  - Previously expanded – loss of federal funds (See A Better Way)
  - Voter-Protected coverage requirements (will not be able to avoid “available funding” in perpetuity)
  - Overall lower per capita income to support programs and risk
  - Large American Indian population – fed \$
  - Particularly vulnerable in recessions (see Great Rec.)
  - Ongoing instability due to funding pressure will undermine managed care delivery system

# Risk Transfer Challenges (ctd.)

- Lower-cost state
  - Fewer optional benefits (e.g., no dental)
  - High rates of HCBS
  - Aligned Duals
  - Low pharmacy spend
  - Mature managed care – for almost all populations
  - Delivery system performs well
  - Few special payments funded with non-state \$

# How Will AZ Manage Risk?

- Changes will be states' responsibility and many will be very politically challenging:
  - Reducing Benefits
  - Reducing Eligibility
  - Reducing Payments
  - Increasing Cost Sharing
  - Program Administration
- Will likely be annual discussion as part of state budget negotiations

# States Need Flexibility

- Need a complete re-write of Federal Medicaid statutes and new regulatory structure
- Would replace 50 years of statutory and regulatory framework
- Will be big challenge for feds to agree to needed flexibility and still provide same \$
  - Assumption of risk too great in absence of flexibility

# Block Grant/PMPPM policy questions

- What is in the base for federal grant? (e.g., A Better Way builds off 2016 and phases down enhanced ACA FMAP to regular FMAP.)
  - Note less efficient states may have room to make program changes to save funding and avoid cutting populations; Arizona has little room on benefits or provider rates or utilization rates (things like leveraging home and community services)
- What is the state match or maintenance of effort requirement?
- How is the expansion incorporated?

# Block Grant/PMPPM policy questions

- What is in funding formula for growth and how is that calculated? What inflation factors are used?
- How is population growth accounted for? Is the formula a per member?
- What is the funding formula for recessions?
- What is in statutory framework for requirements?
  - Populations covered – how are AI members treated?
  - Services covered? (mandatory vs optional?)
  - Payment levels? Access to care & network?
- What happens with existing regulatory structure including but not limited to State plans and 1115 waivers?

# Block Grant/PMPPM policy questions for AI population

- How is the 100% federal funding for I.H.S./638 services treated?
- Implications of states making coverage level changes
- What are the implications for the non-I.H.S./638 services that AI members receive?
  - Currently, AI members receive same benefits that apply to AHCCCS members
  - If financing for Medicaid changes, how is AI population funded?
  - If states make program changes (e.g., benefits), how do those apply to AI members?
    - Currently no differentiation; will depend on financing

# Next Steps



# Summary

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- Biggest risk transfer in history of the U.S.
- Arizona is particularly vulnerable in this policy debate
  - Low costs, efficient delivery
  - Stable managed care which will be undermined with changes
  - Expansion state – federal funding implications
- Republican Governors are in very unique position to influence discussion

# AHCCCS Role

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- Support the Governor and Governor's Office through complex policy discussions
- Be transparent about impacts of scenarios
- Stay engaged but do not lose sight of significant other work happening in the agency
- Be mindful of stress for members and families caused by uncertainty

# Annual Waiver Submittal

- AHCCCS statutorily required to submit annual waiver requesting:
  - Work requirement for all able-bodied adults
  - Establish one-year “ban” for knowingly failing to report change in income or making false statements re: work
  - Lifetime limit of 5 years for able-bodied adults
  - No exemption for AI members
- Public Hearings in January/Submit in March